



George R. Hodges

George R. Hodges
United States Bankruptcy Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
(Charlotte Division)

In re:

Joshua and Andrea Farmer

Debtors.

)
)
) Chapter 11
) Case No. 10-40270
)

In re:

Raymond and Diane Farmer

Debtors.

)
)
) Chapter 11
) Case No. 10-40269
)

**AMENDED¹ FINAL ORDER AUTHORIZING THE USE OF CASH COLLATERAL,
PURSUANT TO SECTIONS 361 AND 363 OF THE BANKRUPTCY CODE**

THIS MATTER came before the Court on April 28, 2010 for a final hearing upon the Emergency Motion of the Debtors for: (I) Approval of Management Agreements², and (II) Authority to Use Cash Collateral, Pursuant to Sections 105, 361 and 363 of the Bankruptcy Code (the "Motion"). Counsel for the Debtors, counsel for the pre-petition secured lenders and the Bankruptcy Administrator appeared at the hearing. The Court has reviewed the Motion, and has heard and considered the statements of counsel, considered the evidence before it and the

¹ This Court's order dated May 10, 2010, [Docket No. 75] is hereby amended as follows: (i) to attach Exhibits A and B, and (ii) to reflect that the chapter 11 cases have been administratively consolidated.

² The Debtors withdrew their motion to approve pre-petition management agreements and are authorized to operate and manage the Properties on the terms set forth herein.

evidence presented at the interim hearing held on April 16, 2010, and by entry of this Order the Court makes the following:

FINDINGS OF FACT

1. On April 5, 2010 (the “Petition Date”), the Debtors filed two voluntary joint petitions for relief under chapter 11 of the Bankruptcy Code in this Court. The Debtors are currently debtors-in-possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these chapter 11 cases. The chapter 11 cases were administratively consolidated by an order entered on May 10, 2010.

2. Prior to March 31, 2010, Joshua Farmer and Raymond Farmer each owned one-half of the membership interests in the following limited liability companies: (i) Wildewood Apartments of Spartanburg, LLC, a South Carolina limited liability company; (ii) Meadow Green Apartments, LLC, a South Carolina limited liability company; (iii) East Ridge Apartments, LLC, a South Carolina limited liability company; (iv) Timbercreek Apartments, LLC, a South Carolina limited liability company; (v) Groves Apartments, LLC, a South Carolina limited liability company; (vi) Georgetown Village Apartments, LLC, a South Carolina limited liability company; (vii) Gaffney Apartments, LLC, a South Carolina limited liability company; and (viii) Two Mile Properties, LLC, a North Carolina limited liability company (each an “Entity,” and collectively, the “Entities”).

3. Each of the Entities owned certain real property and improvements, and related personal property, which are used as apartment complexes and other rental properties, as set forth on **Exhibit A** hereto (each a “Property,” and collectively the “Properties”). Each Entity derived substantially all of its income from rents and other revenues generated by the associated Property or Properties.

4. On or about March 30, 2010, each Entity convened a meeting where it was determined, among other things, the following: (i) that each Entity would transfer all of the company's assets, including all personal property and real property to the members in a ratio equal to the members' respective membership interests in exchange for the members assuming the liabilities of each of the Entities; and (ii) that each company would be dissolved pursuant to applicable state law.

5. The same day, each Entity executed: (i) a Consent Resolution authorizing each Entity to transfer all of the company's assets to Joshua Farmer and Raymond Farmer subject to all liens and encumbrances; and (ii) a Bill of Sale transferring all of the Entity's personal property to Joshua Farmer and Raymond Farmer.

6. Thereafter, a quit-claim deed or non-warranty deed was executed by each Entity and recorded in the relevant county public registry, transferring the Properties to Joshua Farmer and Raymond Farmer.

7. The above-mentioned pre-petition transfers were documented and were undertaken in a transparent fashion, which does not impugn the integrity of Raymond Farmer and Joshua Farmer in the operation and management of the Properties.

8. Joshua Farmer and Raymond Farmer are competent and able to operate and manage the Properties and there is no evidence of mismanagement on the part of Joshua Farmer or Raymond Farmer.

9. When the Entities were in existence, they borrowed funds from various lenders (each a "Lender," and collectively, the "Lenders"), to purchase and/or make repairs to the Properties, as identified on **Exhibit A**.

10. Each Lender asserts a valid, first-priority and properly perfected security interest in, among other things, the leases, rents, proceeds and profits of the respective Property or Properties identified on **Exhibit A**, attached hereto (the “Pre-Petition Collateral”).

11. For purposes of this Motion, the Court has proceeded with the presumption that there is a valid debt owed to the Lenders and that the leases, rents, profits and proceeds from the Properties are subject to a valid, first-priority and properly perfected security interest securing that debt. The Debtors have reserved their right, as well as the right of any other party with standing, to challenge the validity, priority or extent of any asserted lien in a later proceeding.

12. The value of the Lenders’ collateral is not decreasing as a result of the replacement liens in post-petition rents granted below.

13. There is no diminution in the value of the Lenders’ collateral as result of the Debtors’ use of cash collateral.

CONCLUSIONS OF LAW

14. This is a “core” proceeding within the meaning of 28 U.S.C. §§ 157(b)(2)(M), among other provisions, and this Court has authority to enter this Order under 11 U.S.C. §§ 105, 361, and 363, among other sections.

15. Each Lender’s interest in cash collateral is adequately protected as that term is defined in section 361 of the Bankruptcy Code.

16. Entry of this Order is in the best interest of the Debtors, their creditors and other parties in interest in this case.

In view of the foregoing, it **THEREFORE IS ORDERED, ADJUDGED AND DECREED** as follows:

(a) Authority to Use Cash Collateral. By entry of this Order, Debtors are authorized to use cash collateral derived from the rents generated by the Properties in the ordinary course of business provided such use is: (1) consistent with the approved expenses in that the amounts spent in respect of each Property do not exceed, on a line-item basis, the expense budgets for the Properties, which are attached hereto as **Group Exhibit B** (each a “Budget,” and collectively the “Budgets”), subject, however, to the following: (i) Debtors may exceed the amounts set forth in any Budget line-item by not more than ten percent (10%) of such line item, and provided that Debtors’ net cash and receivable position from the use of Cash Collateral in respect of a Property does not fail to meet the Projected Cash Surplus identified on the applicable Budget; and (ii) any expenditure in excess of those amounts shall require the prior written consent of the applicable Lender(s) before being paid; and (2) Debtors comply with all other terms of this Order.

(b) Grant of Liens. In addition to the security interest in the Pre-Petition Collateral and its security interests and rights in the cash collateral generated upon sale of any Pre-Petition Collateral and as additional protection for such interests and rights and all obligations of Debtors arising from and after the date of entry of this Order under any of the loan documents evidencing a loan to any of the Entities, each Lender is hereby further granted a valid, perfected, and enforceable security interest in the rents and proceeds of the Property or Properties in which such Lender has asserted a pre-petition lien or security interest, equivalent in extent and priority to that which it held as of the Petition Date on like collateral, to the extent of cash collateral actually expended (the “Replacement Lien”). Such Replacement Lien is equivalent to a lien granted under 11 U.S.C. § 364(c)(2) in and upon Post-Petition Collateral. Nothing herein shall be deemed to resolve the issue of whether the Lenders already have a security interest in post-

petition leases and rents, pursuant to 11 U.S.C. § 552(b), such that no “grant” of a post-petition lien is necessary.

(c) Lien Attachment and Perfection. This Order shall be sufficient and conclusive evidence of the priority and validity of each Lender’s security interest in and liens in the Post-Petition Collateral without the necessity of filing, recording, or serving any financing statements or other documents which may otherwise be required under federal or state law in any jurisdiction or the taking of any action to validate or perfect the security interests and liens granted to each Lender hereunder.

(d) Unauthorized Use. In addition to constituting a default hereunder, and without any limitation upon other remedies available to each Lender for such unauthorized use, if Debtors use cash collateral for a purpose not authorized herein, each Lender’s liens and other security interests shall automatically attach to any assets acquired with such cash collateral to the same extent and with the same priority as the pre-petition liens and security interests would have attached thereto.

(e) Limitations. In addition to the restrictions set forth herein, the Debtors shall: (a) maintain separate accounting for each of the Properties; (b) maintain separate bank accounts for each of the Properties to ensure that funds are not commingled; (c) pay all escrowed funds for property taxes into an escrow account maintained by counsel for the Debtors; (d) pay all funds for property insurance (including without limitation payments to insurance premium financing companies that financed any of the Entities’ property insurance premiums before the Petition Date) into a trust account maintained by counsel for the Debtors; and (e) pay all funds for the Professional Fee Carve out as set forth in the Budgets into a trust account maintained by counsel for the Debtors as set forth in paragraph j below.

(f) Challenges. Nothing contained herein shall prevent the Debtors, a creditor, subsequently appointed trustee, or official creditors' committee from contesting the validity, perfection and enforceability, or priority of the liens on the Pre-Petition Collateral, or from raising any defenses, offsets, deductions or counterclaims thereto.

(g) No Waiver. Nothing contained herein shall be deemed or construed as a waiver of any substantive or procedural rights of any party in interest in these chapter 11 cases, including, without limitation, the rights of the Lenders to contest the validity of the transfers of assets to the Debtors prior to the filing of the Debtors' bankruptcy petitions and all rights and responsibilities related to those transfers.

(h) Management of the Properties. Joshua Farmer and Raymond Farmer are hereby authorized to operate and manage the Properties on the following terms: (i) Joshua Farmer and Raymond Farmer are hereby authorized to provide management services to the Properties; (ii) the Farmers may charge a 4.5% management fee (the "Management Fee"), together with all actual and reasonable costs to each Property as reflected on each applicable Budget; (iii) Joshua Farmer shall be paid a salary of \$75,000.00 annually together with his vehicle, with such compensation being paid from the Management Fee; and (iv) Raymond Farmer shall be paid \$50,000.00 annually, with such compensation being paid from the Management Fee. Nothing contained herein shall be construed as a limitation on the power of this Court to reconsider the issue of the management of any one or more of the Properties.

(i) Professional Fee Carve out. The Debtors shall be entitled to a professional fee carve out from the Lenders' cash collateral of \$40,000 per month for professional fees incurred by the estates (the "Professional Fee Carve out"). As set forth in the Budgets, the Professional Fee Carve out is apportioned on a *pro rata* basis in relation to the gross monthly income of the

Properties. The Professional Fee Carve out shall be paid monthly into a trust account maintained by counsel for the Debtors and paid to counsel for the Debtors and other professionals retained by the estates upon approval by the Court.

(j) Service of Order. Counsel for Debtors shall ensure that a copy of this Order is served electronically or by first class mail (which, pursuant to the Bankruptcy Rules, will be deemed sufficient) upon (i) the Bankruptcy Administrator; (ii) all secured creditors; and (iii) any person who has filed with this Court on or before the date of this Order and served upon Debtors' counsel a request to be served with copies of all pleadings, notices, and other papers filed in this bankruptcy case.

This Order has been signed electronically. The Judge's signature and Court's seal appear at the top of this Order.	United States Bankruptcy Court Western District of North Carolina
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EXHIBIT A – Lenders that claim an interest in Cash Collateral

<u>Lender(s) Claiming Interest in Cash Collateral</u>	<u>Properties</u>	<u>Former Owner</u>	<u>Current Owner</u>
The Palmetto Bank; Harbour Finance Limited; Nexity Bank	Wildewood Apartments, 350 Bryant Road, Spartanburg, S.C.	Wildewood Apartments of Spartanburg, LLC	Raymond Farmer and Joshua Farmer
The Palmetto Bank	Meadow Green Apartments, 1504 Fernwood Glendale Road, Spartanburg, S.C.	Meadow Green Apartments, LLC	Raymond Farmer and Joshua Farmer
The Palmetto Bank; Harbour Finance Limited	East Ridge Apartments, 300 Regency Road, Spartanburg, S.C.	East Ridge Apartments, LLC	Raymond Farmer and Joshua Farmer
The Palmetto Bank (Addison Townhomes); First National Bank of Shelby; First South Bank	Two Mile Office and Warehouse, 174/220 Edwards Street Extension; Addison Townhomes, 104 Watson Road, Taylors; Creekside Mini Storage, 1240 Overbrook Drive, Gaffney; Misc. Mayse Road Houses, Mayse Road Lot, Winchester Drive Lot, Edwards Street Ext. Land	Two Mile Properties, LLC	Raymond Farmer and Joshua Farmer
Keybank, N.A.; Midland Loan Servicing	Timbercreek Apartments, 501 Camelot Drive, Spartanburg, S.C.	Timbercreek Apartments, LLC	Raymond Farmer and Joshua Farmer
Inland Mortgage Capital Corporation	Groves Apartments, 1402 Groves Boulevard, North Augusta, S.C.	Groves Apartments, LLC	Raymond Farmer and Joshua Farmer
First National Bank of the South; GTV Investors, LLC	Georgetown Village Apartments, 1421 John B. White Sr. Boulevard, Spartanburg, S.C.	Georgetown Village Apartments, LLC	Raymond Farmer and Joshua Farmer
Keybank, N.A.; CW Capital; 1230 Overbrook Holdings, LLC; CBA-Mezzanine Capital Finance, LLC	Magnolia Ridge Apartments, 266 Goldmine Springs Road, Gaffney, S.C.; Creekside Apartments, 1230 Overbrook Drive, S.C.	Gaffney Apartments, LLC	Raymond Farmer and Joshua Farmer

GROUP EXHIBIT B

Addison Townhomes - Budget		54	UNITS	
Income	Monthly	Annual \$\$ Per Unit	09 avg	1st qtr avg
Rental Income	\$ 13,750		\$ 13,481	\$ 13,138
Other income	\$ 500		\$ 444	\$ 536
Water re-imbursement	\$ -			
Laundry Income	\$ -			
Total Income	\$ 14,250	\$ 3,167	\$ 13,925	\$ 13,673
Expenses				
Advertising	\$ 1,048	\$ 233	\$ 874	\$ 1,521
Admin	\$ 816	\$ 181	\$ 641	\$ 857
Salaries & Benefits	\$ 3,326	\$ 739	\$ 1,606	\$ 3,337
Grounds Maintenance & Security	\$ 500	\$ 111	\$ 639	\$ 500
Repairs & Maintenance	\$ 1,065	\$ 237	\$ 547	\$ 1,747
Utilities	\$ 1,640	\$ 364	\$ 1,464	\$ 1,780
Management fee	\$ 713	\$ 158	\$ 729	\$ 734
Property Insurance	\$ 1,277	\$ 284	\$ 1,237	\$ 1,277
Property Tax Impound	\$ 1,947	\$ 433	\$ 1,947	\$ 1,947
Total Operating Expenses	\$ 12,331	\$ 2,740	\$ 9,685	\$ 13,700
Bankruptcy Administrator Quarterly Fees	\$ 106			
Professional Fee carve out	\$ 1,301			
Total Expenses	\$ 13,737	\$ 2,740	\$ 9,685	\$ 13,700

Projected Interim budget Period Cashflow	\$ 513
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Advertising	Incl. Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	Incl. Bookkeeping, Telephone Service, IT Support & Software, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction Filings), Fuel/Mileage
Salaries & Benefits	Incl. Management and Maintenance Wages
Grounds Maintenance & Security	Incl. Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	Incl. Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	Incl. Electricity, Gas, Water & Sewer, Garbage Removal

Creekside Apartments - Budget

92 UNITS

Income	Monthly	Annual \$\$ Per Unit	09 Avg	1 st Qtr 2010
Rental Income	\$ 46,000		\$ 43,267	\$ 46,545
Other income	\$ 2,700		\$ 1,495	\$ 3,622
Water re-imbursement	\$ 1,600		\$ 1,410	\$ 1,835
Laundry Income	\$ 50			
Total Income	\$ 50,350	\$ 6,567	\$ 46,172	\$ 51,475
Expenses				
Advertising	\$ 1,824	\$ 238	\$ 1,258	\$ 1,737
Admin	\$ 1,027	\$ 134	\$ 1,730	\$ 1,097
Salaries & Benefits	\$ 7,219	\$ 942	\$ 7,632	\$ 8,890
Grounds Maintenance & Security	\$ 1,900	\$ 248	\$ 1,561	\$ 2,053
Repairs & Maintenance	\$ 3,550	\$ 463	\$ 4,791	\$ 2,512
Utilities	\$ 4,815	\$ 628	\$ 4,241	\$ 4,437
Management fee	\$ 2,518	\$ 328	\$ 2,309	\$ 2,574
Property Insurance	\$ 1,620	\$ 211	\$ 1,620	\$ 1,620
Property Tax Impound	\$ 3,647	\$ 476	\$ 3,647	\$ 3,647
Total Operating Expenses	\$ 28,121	\$ 3,668	\$ 28,789	\$ 28,567
Bankruptcy Administrator Quarterly Fees	\$ 334			
Professional Fee Carve out	\$ 4,107			
Total Expenses	\$ 32,562	\$ 3,668	\$ 28,789	\$ 28,567

Budget Cashflow	\$ 17,788
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Advertising	Incl. Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	Incl. Bookkeeping, Telephone Service, IT Support & Software, Utility Billing, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction Filings), Fuel/Mileage
Salaries & Benefits	Incl. Management and Maintenance Wages
Grounds Maintenance & Security	Incl. Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	Incl. Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	Incl. Electricity, Gas, Water & Sewer, Garbage Removal

Creekside Mini-Storage - Budget

81 UNITS

Income	Monthly	09 Avg	1st Qtr 2010
Rental Income	\$ 2,900	\$ 3,246	\$ 2,807
Other income	\$ -		
Total Income	\$ 2,900	\$ 3,246	\$ 2,807
Expenses			
Advertising	\$ 296	\$ 165	\$ 176
Administration	\$ 35	\$ 52	\$ 38
Salaries and Benefits	\$ 380	\$ 400	\$ 400
Grounds Maintenance	\$ 50	\$ 50	\$ 50
Repairs & Maintenance	\$ 25	\$ 13	\$ -
Utilities	\$ 134	\$ 71	\$ 134
Management Fee	\$ 145	\$ 162	\$ 140
Property Insurance	\$ 189	\$ 133	\$ 219
Property Tax Impound	\$ 450	\$ 450	\$ 450
Total Operating Expenses	\$ 1,704	\$ 1,497	\$ 1,608
Bankruptcy Administrator Quarterly Fees	\$ 17		
Professional Fee Carve Out	\$ 212		
Total Expenses	\$ 1,933	\$ 2,994	\$ 3,215

Interim Period Cashflow	\$ 967
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Advertising	<u>Incl.</u> Newspapers, Yellow Pages
Admin	<u>Incl.</u> Telephone Service
Salaries and Benefits	<u>Incl.</u> Management and Maintenance Wages
Repairs and Maintenance	<u>Incl.</u> Repair & Mainenance Supplies, Carpet Cleaning, Cleaning,
Utilities	<u>Incl.</u> Electricity, Gas, Water & Sewer, Garbage Removal

East Ridge Apartments - Budget 144 Units

Income	Monthly	Annual \$\$ Per Unit	09 Monthly avg	2010 1st Qtr
Rental Income	\$ 50,500		\$ 44,779	\$ 51,569
Other income	\$ 1,600		\$ 624	\$ 1,945
Water re-imbursement	\$ 3,000		\$ 2,026	\$ 3,072
Laundry Income	\$ -			
Total Income	\$ 55,100	\$ 4,592	\$ 47,429	\$ 56,587

Expenses	Monthly	Annual \$\$ Per Unit	09 Monthly avg	2010 1st Qtr
Advertising	\$ 1,786	\$ 149	\$ 1,655	\$ 1,101
Administration	\$ 1,826	\$ 152	\$ 2,383	\$ 1,822
Salaries & Benefits	\$ 8,762	\$ 730	\$ 8,907	\$ 8,612
Grounds Maintenance & Security	\$ 2,100	\$ 175	\$ 1,943	\$ 2,340
Repairs & Maintenance	\$ 4,605	\$ 384	\$ 4,956	\$ 3,671
Utilities	\$ 6,960	\$ 580	\$ 7,312	\$ 8,252
Management fee	\$ 2,755	\$ 230	\$ 2,371	\$ 2,829
Property Insurance	\$ 2,681	\$ 223	\$ 2,701	\$ 2,432
Property Tax Impound	\$ 6,869	\$ 572	\$ 9,430	\$ 6,869
Total Operating Expenses	\$ 38,344	\$ 3,195	\$ 41,659	\$ 37,929
Bankruptcy Administrator Quarterly Fees	\$ 392			
Professional Fee Carve Out	\$ 4,821			
Total Expenses	\$ 43,557	\$ 3,630	\$ 41,658.83	\$ 37,928.54

Projected Interim Budget Period Cashflow	\$ 11,543
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Advertising	<u>Incl.</u> Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	<u>Incl.</u> Bookkeeping, Telephone Service, IT Support & Software, Utility Billing, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction Filings), Fuel/Mileage
Salaries & Benefits	<u>Incl.</u> Management and Maintenance Wages
Grounds Maintenance & Security	<u>Incl.</u> Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	<u>Incl.</u> Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	<u>Incl.</u> Electricity, Gas, Water & Sewer, Garbage Removal

Georgetown Village - Budget

74 Units

Income	Monthly	Annual \$\$ Per Unit	09 avg	2010 1st Qtr avg
Rental Income	\$ 23,550		\$ 20,482	\$ 22,621
Other income	\$ 1,550		\$ 1,651	\$ 1,369
	\$ -			
Laundry Income	\$ -			
Total Income	\$ 25,100	\$ 4,070	\$ 22,133	\$ 23,990
Expenses				
Advertising	\$ 960	\$ 156	\$ 751	\$ 696
Admin	\$ 1,436	\$ 233	\$ 1,664	\$ 1,590
Salaries & Benefits	\$ 5,301	\$ 860	\$ 5,822	\$ 5,523
Grounds Maintenance & Security	\$ 800	\$ 130	\$ 830	\$ 1,024
Repairs & Maintenance	\$ 3,670	\$ 595	\$ 4,477	\$ 3,819
Utilities	\$ 4,850	\$ 786	\$ 5,195	\$ 4,671
Management fee	\$ 1,255	\$ 204	\$ 1,127	\$ 1,199
Property Insurance	\$ 1,182	\$ 192	\$ 1,135	\$ 1,182
Property Tax Impound	\$ 2,810	\$ 456	\$ 3,882	\$ 4,053
Total Operating Expenses	\$ 22,265	\$ 3,611	\$ 24,883	\$ 23,757
Bankruptcy Administrator Quarterly Fees	\$ 166			
Professional Fee Carve out	\$ 2,048			
Total Expenses	\$ 24,479	\$ 3,970	\$ 24,883	\$ 23,757

Budget Period Cashflow \$ 621

Advertising	Incl. Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	Incl. Bookkeeping, Telephone Service, IT Support & Software, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction Filings), Fuel/Mileage
Salaries & Benefits	Incl. Management and Maintenance Wages
Grounds Maintenance & Security	Incl. Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	Incl. Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	Incl. Electricity, Gas, Water & Sewer, Garbage Removal

Groves Apartments - Budget		132 Units		
Income	Monthly	Annual \$\$ Per Unit	09 avg	2010 1st Qtr avg
Rental Income	\$ 52,500		\$ 52,662	\$ 49,899
Other income	\$ 4,100		\$ 2,027	\$ 5,007
Water re-imburement	\$ 4,000		\$ 2,661	\$ 3,989
Laundry Income	\$ 400		\$ 409	\$ 312
Total Income	\$ 61,000	\$ 5,545	\$ 57,759	\$ 59,206
Expenses				
Advertising	\$ 1,560	\$ 142	\$ 967	\$ 1,390
Admin	\$ 2,785	\$ 253	\$ 3,165	\$ 3,196
Salaries & Benefits	\$ 8,705	\$ 791	\$ 8,867	\$ 9,429
Grounds Maintenance & Security	\$ 1,650	\$ 150	\$ 1,230	\$ 1,386
Repairs & Maintenance	\$ 6,900	\$ 627	\$ 7,249	\$ 6,306
Utilities	\$ 8,251	\$ 750	\$ 9,680	\$ 7,554
Management fee	\$ 3,050	\$ 277	\$ 3,528	\$ 2,960
Property Insurance	\$ 2,161	\$ 196	\$ 1,696	\$ 2,161
Property Tax Impound	\$ 4,660	\$ 424	\$ 4,660	\$ 4,660
Total Operating Expenses	\$ 39,723	\$ 3,611	\$ 41,042	\$ 39,042
Bankruptcy Administrator Quarterly Fees	\$ 391			
Professional Fee Carve Out	\$ 4,813			
Total Expenses	\$ 44,927	\$ 3,611	\$ 41,042	\$ 39,042

Budget Cashflow	\$ 16,073
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Advertising	Incl. Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	Incl. Bookkeeping, Telephone Service, IT Support & Software, Utility Billing, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction Filings), Fuel/Mileage
Salaries & Benefits	Incl. Management and Maintenance Wages
Grounds Maintenance & Security	Incl. Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	Incl. Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	Incl. Electricity, Gas, Water & Sewer, Garbage Removal

Magnolia Ridge Apartments - Budget		84	UNITS	
Income	Monthly	Annual \$\$ Per Unit	09 avg	1 st Qtr avg
Rental Income	\$ 31,000		\$ 29,012	\$ 31,149
Other income	\$ 900		\$ 1,063	\$ 1,296
Water re-imbursement	\$ -			
Laundry Income	\$ 400			
Total Income	\$ 32,300	\$ 4,614	\$ 30,075	\$ 32,445
Expenses				
Advertising	\$ 1,208	\$ 173	\$ 681	\$ 1,401
Admin	\$ 1,330	\$ 190	\$ 1,960	\$ 1,592
Salaries & Benefits	\$ 6,824	\$ 975	\$ 7,618	\$ 6,631
Grounds Maintenance & Security	\$ 1,900	\$ 271	\$ 1,859	\$ 1,865
Repairs & Maintenance	\$ 3,750	\$ 536	\$ 4,319	\$ 3,415
Utilities	\$ 2,935	\$ 419	\$ 3,645	\$ 3,120
Management fee	\$ 1,615	\$ 231	\$ 1,504	\$ 1,622
Property Insurance	\$ 1,479	\$ 211	\$ 1,479	\$ 1,479
Property Tax Impound	\$ 2,370	\$ 339	\$ 2,370	\$ 2,370
Total Operating Expenses	\$ 23,411	\$ 3,344	\$ 25,435	\$ 23,495
Bankruptcy Administrator Quarterly Fees	\$ 214			
Professional Fee Carve Out	\$ 2,635			
Total Expenses	\$ 25,466	\$ 3,638	\$ 25,435	\$ 23,495

Budget Cashflow	\$ 6,834
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Advertising	Incl. Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	Incl. Bookkeeping, Telephone Service, IT Support & Software, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction Filings), Fuel/Mileage
Salaries & Benefits	Incl. Management and Maintenance Wages
Grounds Maintenance & Security	Incl. Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	Incl. Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	Incl. Electricity, Gas, Water & Sewer, Garbage Removal

Mayse Road Houses - Budget		15 Units		
Income	Monthly	Annual \$\$ Per Unit	09 avg	2010 1st Qtr avg
Rental Income	\$ 4,050		\$ 4,006	\$ 4,196
Total Income	\$ 4,050	\$ 270	\$ 4,006	\$ 4,196
Expenses				
Repairs & Maintenance	\$ 500	\$ 33	\$ 538	\$ 252
Utilities	\$ 11	\$ 1	\$ 5	\$ 38
Management fee	\$ 405	\$ 27	\$ 401	\$ 420
Property Insurance	\$ 300	\$ 20	\$ 300	\$ 300
Property Tax Impound	\$ 378	\$ 25	\$ 378	\$ 378
Total Operating Expenses	\$ 1,594	\$ 106	\$ 1,622	\$ 1,387
Bankruptcy Administrator Quarterly Fees	\$ 25			
Professional Fee Carve Out	\$ 313			
Total Expenses	\$ 1,932	\$ 106	\$ 1,622	\$ 1,387

Budget Cashflow	\$ 2,118
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Repairs & Maintenance	Incl. Repair & Mainenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	Incl. Electricity, Gas, Water & Sewer, Garbage Removal

Meadow Green Apartments - Budget 116 UNITS

Income	Monthly	Annual \$\$ Per Unit	09 avg	2010 1st qtr avg
Rental Income	\$ 45,500		\$ 38,858	\$ 45,099
Other income	\$ 2,000		\$ 1,043	\$ 2,036
Water re-imbursement	\$ 3,000		\$ 2,239	\$ 3,280
Laundry Income	\$ -			
Total Income	\$ 50,500	\$ 5,224	\$ 42,141	\$ 50,415
Expenses				
Advertising	\$ 1,235	\$ 128	\$ 735	\$ 747
Admin	\$ 1,824	\$ 189	\$ 2,569	\$ 1,914
Salaries & Benefits	\$ 7,529	\$ 779	\$ 8,217	\$ 7,922
Grounds Maintenance & Security	\$ 1,400	\$ 145	\$ 1,550	\$ 1,400
Repairs & Maintenance	\$ 5,540	\$ 573	\$ 5,854	\$ 4,342
Utilities	\$ 4,855	\$ 502	\$ 5,516	\$ 5,654
Management fee	\$ 2,525	\$ 261	\$ 2,114	\$ 2,521
Property Insurance	\$ 1,959	\$ 203	\$ 2,165	\$ 1,959
Property Tax Impound	\$ 5,500	\$ 569	\$ 7,135	\$ 5,500
Total Operating Expenses	\$ 32,367	\$ 3,348	\$ 35,856	\$ 31,959
Bankruptcy Administrator Quarterly Fees	\$ 341			
Professional Fee Carve out	\$ 4,201			
Total Expenses	\$ 36,909	\$ 3,818	\$ 35,856	\$ 31,959

Budget Period Cashflow	\$ 13,590.68
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Advertising	Incl. Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	Incl. Bookkeeping, Telephone Service, IT Support & Software, Utility Billing, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction Filings), Fuel/Mileage
Salaries & Benefits	Incl. Management and Maintenance Wages
Grounds Maintenance & Security	Incl. Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	Incl. Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	Incl. Electricity, Gas, Water & Sewer, Garbage Removal

Timbercreek Apartments - Budget

116

Units

Income	Monthly	Annual \$\$ Per Unit	09 avg	2010 1st qtr avg
Rental Income	\$ 59,000		\$ 57,042	\$ 59,162
Other income	\$ 3,000		\$ 1,882	\$ 3,541
Water re-imbursement	\$ 3,000		\$ 3,189	\$ 3,169
Laundry Income	\$ -			
Total Income	\$ 65,000	\$ 6,724	\$ 62,112	\$ 65,871
Expenses				
Advertising	\$ 1,475	\$ 153	\$ 1,828	\$ 1,192
Admin	\$ 2,228	\$ 230	\$ 2,742	\$ 4,162
Salaries & Benefits	\$ 7,256	\$ 751	\$ 7,764	\$ 7,168
Grounds Maintenance & Security	\$ 1,700	\$ 176	\$ 2,094	\$ 1,604
Repairs & Maintenance	\$ 5,620	\$ 581	\$ 6,501	\$ 5,795
Utilities	\$ 7,160	\$ 741	\$ 6,510	\$ 7,651
Management fee	\$ 3,250	\$ 336	\$ 3,275	\$ 3,294
Property Insurance	\$ 2,187	\$ 226	\$ 2,066	\$ 2,187
Property Tax Impound	\$ 6,621	\$ 685	\$ 7,870	\$ 6,621
Total Operating Expenses	\$ 37,497	\$ 3,879	\$ 40,651	\$ 39,673
Bankruptcy Administrator Quarterly Fees	\$ 424			
Professional Fee Carve out	\$ 5,221			
Total Expenses	\$ 43,142	\$ 3,879	\$ 40,651	\$ 39,673

Projected Monthly Cashflow	\$ 21,858
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Advertising	<u>Incl.</u> Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	<u>Incl.</u> Bookkeeping, Telephone Service, IT Support & Software, Utility Billing, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction Filings), Fuel/Mileage
Salaries & Benefits	<u>Incl.</u> Management and Maintenance Wages
Grounds Maintenance & Security	<u>Incl.</u> Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	<u>Incl.</u> Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	<u>Incl.</u> Electricity, Gas, Water & Sewer, Garbage Removal

Wildewood Apartments - Budget 369 Units

Income	Monthly	Annual \$\$ Per Unit	09 Avg	2010 1st Qtr
Rental Income	\$ 116,000		\$ 120,662	\$ 112,244
Other income	\$ 9,800		\$ 3,368	\$ 9,726
Water re-imbursement	\$ 3,950		\$ 4,760	\$ 3,611
Laundry Income	\$ 700		\$ 675	\$ 473
Total Income	\$ 130,450	\$ 4,242	\$ 129,465	\$ 126,053
Expenses				
Advertising	\$ 3,411	\$ 111	\$ 2,776	\$ 3,550
Administration	\$ 5,038	\$ 164	\$ 5,952	\$ 5,233
Salaries & Benefits	\$ 22,853	\$ 743	\$ 19,832	\$ 20,519
Grounds Maintenance & Security	\$ 6,800	\$ 221	\$ 6,642	\$ 6,245
Repairs & Maintenance	\$ 16,711	\$ 543	\$ 11,644	\$ 16,384
Utilities	\$ 20,900	\$ 680	\$ 18,792	\$ 20,786
Management Fee	\$ 6,523	\$ 212	\$ 6,566	\$ 6,303
Property Insurance	\$ 8,079	\$ 263	\$ 7,006	\$ 8,079
Property Tax Impound	\$ 13,175	\$ 428	\$ 21,711	\$ 13,175
Total Operating Expenses	\$ 103,489	\$ 3,365	\$ 100,922	\$ 100,272
Bankruptcy Administrator Quarterly Fees	\$ 865			
Professional Fee Carve out	\$ 10,641			
Total Expenses	\$ 114,995	\$ 3,739.67	\$ 100,922	\$ 100,272

Budget Cashflow	\$ 15,455.04
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Advertising	<u>Incl.</u> Newspaper, Apartment Finder, Apartment Guide, Background checks, Yellow Pages
Admin	<u>Incl.</u> Bookkeeping, Telephone Service, IT Support & Software, Answering Service, Internet Service, Office Equipment and Supplies, Property Legal Expense (Eviction)
Salaries & Benefits	<u>Incl.</u> Management and Maintenance Wages
Grounds Maintenance & Security	<u>Incl.</u> Grounds Maintenance, Grounds Supplies and Security
Repairs & Maintenance	<u>Incl.</u> Repair & Maintenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	<u>Incl.</u> Electricity, Gas, Water & Sewer, Garbage Removal

Winchester Drive Houses - Budget		5
Income	Monthly	Annual \$\$ Per Unit
Rental Income	\$ 1,502	
Total Income	\$ 1,502	\$ 300
Expenses		
Repairs & Maintenance	\$ -	\$ -
Utilities	\$ -	\$ -
Management fee	\$ -	\$ -
Property Insurance	\$ 95	\$ 19
Property Tax Impound	\$ 132	\$ 26
Total Operating Expenses	\$ 227	\$ 45
Bankruptcy Administrator Quarterly Fees	\$ 9	
Professional Fee Carve Out	\$ 116	
Total Expenses	\$ 352	\$ 45

Budget Cashflow	\$ 1,149
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Repairs & Maintenance	<u>Incl.</u> Repair & Mainenance Supplies, Carpet Cleaning, Cleaning, Pest Control & Routine Capital Expenditure
Utilities	<u>Incl.</u> Electricity, Gas, Water & Sewer, Garbage Removal